

Work Opportunity Tax Credit (WOTC)

With legislation signed by the President in 2007, the WOTC program has been extended through August 31, 2011. This Act, and the *Tax-Relief and Health Care Act of 2006* (P. L. 109-432) amend certain target group definitions, introduce new provisions that expand and streamline the WOTC Program, and make it easier for the business sector to participate. For example, P.L. 109-432 eliminated the Welfare-to-Work Tax Credit (WtWTC) by merging it into the WOTC and making the *Long-term TANF Recipient* another WOTC target group.

The following statutory changes (introduced by P.L. 110-28) apply to new hires that begin work for an employer after May 25, 2007, and before September 1, 2011:

- the WOTC has been extended to cover individuals who begin to work for an employer *before* September 1, 2011,
- the Qualified Veteran group was expanded to include certain "disabled veterans," and
- the High-Risk Youth group was renamed and is now called: "Designated Community Resident." Its definition was expanded.

The changes introduced by P.L. 109-432 apply retroactively to individuals who began to work for an employer *after* December 31, 2005. They are as follows:

- the earnings test for ex-felons was eliminated;
- the maximum age for food stamp recipients was increased;
- the certification request filing deadline was increased;
- the welfare-to-work provisions were merged into the WOTC;

The consolidated WOTC for hiring most target group members can now be as much as:

- \$2,400 for each new adult hire;
- \$1,200 for each new summer youth hire,
- \$4,800 for each new disabled veteran hire, and
- \$9,000 for each new long-term family assistance recipient hired over a two-year period.

The new employee *must* belong to one of the following nine WOTC target groups:

* ***Long-term TANF Recipient.*** A member of a family that:

- a. Received or recently received Temporary Assistance to Needy Families (TANF) payments for at least 18 consecutive months ending on the hiring date, **or**
- b. Received TANF payments for any 18 months (whether or not consecutive) beginning after August 5, 1997, and the earliest 18-month period beginning after August 5, 1997 ended during the past 2 years, **or**
- c. Stopped being eligible for TANF payments during the past 2 years because federal or state law limited the maximum time those payments could be made.

- * ***Other TANF Recipient.*** A member of a family that is receiving or recently received TANF benefits for any 9-month period during the 18-month period ending on the hiring date;
- * ***Qualified Food Stamp Recipient.*** An 18-39 year old member of a family that received [Food Stamps](#) for the past 6 months, or received Food Stamps for at least 3 of the past 5 months, and is no longer receiving them.
- * ***Designated Community Resident.*** An 18-39 year old resident of one of the federally designated [Empowerment Zones \(EZs\)](#), [Enterprise Communities \(ECs\)](#), [Renewal Communities \(RCs\)](#), and for individuals who begin to work for an employer after May 25, 2007, this High-Risk Youth group has been renamed "Designated Community Resident" and expanded to include residents of Rural Renewal Counties; **Note:** All Round I Enterprise Communities (ECs) including enhanced Enterprise Communities expired on December 31, 2004. Round II ECs are still in existence as are all the EZ.
- * ***Summer Youth Employee.*** A 16-17 year old [EZ/EC or RC](#) resident hired between May 1 and September 15; **Note:** All Round I Enterprise Communities (ECs) including enhanced Enterprise Communities expired on December 31, 2004. Round II ECs are still in existence as are all the EZs;
- * ***Qualified Veteran.*** A veteran who is a member of a family that is receiving or recently received [Food Stamps](#) for at least a 3-month period during the past 15 months; and for individuals who begin to work for an employer after May 25, 2007, the veteran group is expanded to include "disabled veterans" who are entitled to compensation for a service-connected disability **and** who, during the one-year ending on the hiring date, were: a) discharged or released from active duty in the U.S Armed Forces, **or** b) unemployed for a period or periods totaling at least 6 months. The first-year wages taken into account for these "disabled veterans" are capped at \$12,000;
- * ***Vocational Rehabilitation Referral.*** An individual who completed or is completing rehabilitative services from a State certified agency, an Employment Network, or the [U.S. Department of Veterans Affairs](#);
- * ***Qualified Ex-Felon.*** An individual who has been convicted of a felony and has a hiring date which is not more than one year after the last date on which he was so convicted or released from prison;
- * ***SSI Recipient.*** A recipient of [Supplemental Security Income \(SSI\)](#) benefits for any month ending during the past 60 day period ending on the hire date.

MINIMUM EMPLOYMENT OR RETENTION PERIOD.

All new adult employees must work a minimum of 120 or 400 hours. Individuals hired as Summer Youth employees must work at least 90 days, between May 1 and September 15, before an employer is eligible to claim the tax credit. The WOTC amount an employer may claim depends on the hours the employee works. The credit is 25% of qualified first-year wages for those employed at least 120 hours but fewer than 400 hours and 40% for those employed 400 hours or more.

To receive certification that a new employee qualifies the employer for this tax credit, the employer must:

- Complete page one of IRS Form 8850 by the day the job offer is made.
- Complete page 2 of IRS Form 8850 after the individual is hired.
- Complete the one page ETA Form 9061.

Mail the completed and signed IRS *and* ETA forms to:

Virginia Employment Commission
WOTC Coordinator - Room 209
P. O. Box 1358
Richmond, VA 23218-1358

The signed forms must be mailed within 28 days after the employee's employment-start date for all individuals who begin work for an employer on or after January 1, 2007.

FORMS:

- [IRS Form 8850](#) (8-09) "Pre-Screening Notice and Certification Request for the Work Opportunity Credit" (PDF)
- [Instructions for Form 8850](#) (8-09) (PDF)
- [ETA Form 9061](#) (8-09) "Individual Characteristics Form" (PDF)
(required for ALL Disconnected Youth and/or Unemployed Veterans)
- [IRS Form 2848](#) (6-08) "Power of Attorney and Declaration of Representative" (PDF)
(To be used by Employers utilizing a Consultant)
- [Instructions for Form 2848](#) (6-08) (PDF)

WOTC background and guidance information:

- [Training and Employment Guidance Letter \(TEGL\) No. 3-09](#)
- [Training and Employment Guidance Letter \(TEGL\) No. 3-09 Change 1](#)
- [Training and Employment Guidance Letter \(TEGL\) No. 20-06](#) (PDF)
- [Training and Employment Guidance Letter \(TEGL\) No. 5-07](#) (PDF)

Long-Term Family Assistance Recipients who began work after December 31, 2006 and before September 1, 2011, can earn their employers *up to* \$9,000 if they are a member of a family:

- that received TANF for at least 18 consecutive months before the hire date: or
- whose TANF eligibility under federal or state law expired after August 5, 1997 (for applicants hired within two years after their eligibility expired); or
- that received TANF for at least 18 months, beginning after August 5, 1997, and is hired not more than two years after that 18-month period.

Employees who are members of the following target groups are eligible for the WOTC program:

- *Target Group A: TANF Recipient* - any applicant that has received TANF (Temporary Assistance for Needy Families replaced the Aid to Families with Dependent Children (AFDC) program) for any nine months within the last 18 months ending on the hire date.

- *Target Group B: Qualified Veteran* - any applicant that has been active in the military for 180 days and has received food stamps for three months within the last fifteen months ending on the hire date. This category was expanded to include *Qualified Disabled Veterans*
- *Target Group C: Qualified Ex-Felon* - any applicant that has been convicted of a felony, placed on probation or released from prison within the year of the hire date.
- *Target Group D: Designated Community Resident (formerly Empowerment Zone Resident)* - any applicant that is between the ages of 18 and 39 and lives in a federal mandated Empowerment Zone, Enterprise Community, Renewal Community or Rural Renewal Community.
- *Target Group E: Vocational Rehab Referral* - any applicant that is participating in or has completed a vocational rehabilitation program within the last two years from the hire date.
- *Target Group F: Qualified Summer Youth* - any applicant that is between the ages of 16 and 17 years old and is hired between May 1st and September 15th.
- *Target Group G: Qualified Food Stamp Recipient* - any applicant that is between 18 and 39 years old and eligible for food stamp assistance. Benefits must be received within the last six months of the hire date, or three out of the last five months prior to the hire date.
- *Target Group H: SSI Recipient* - any applicant that has received SSI (Supplemental Security Income) within the last 60 days of the hire date.
- *Target Group I: Long Term Family Assistance (formerly Welfare to Work Credit)* - any applicant who has received TANF payments within the past two years.
- *Qualified Katrina Employee (extended October, 2008) Self-Certifying Category (no documentation required from employee)* - Any employee who resided in the Katrina Disaster Area (AL, LA, or MS).
- *Unemployed Veterans (Created by ARRA)* - Veterans who have been unemployed for at least six months.
- *Disconnected Youth (Created by ARRA)* - 16-24 year olds, who are unemployed, not in school and do not have defined skills.

Additional information about the WOTC program, including
the ETA's WOTC Handbook 408, is available on line at:
www.doleta.gov/business/incentives/opptax